THE REGENERATION PROJECT

FINANCIAL STATEMENTS

December 31, 2022

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2021)

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

THE REGENERATION PROJECT

Contents

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Regeneration Project
San Francisco, California

Opinion

We have audited the accompanying financial statements of The Regeneration Project (the Organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, cash flows and functional expenses, for the year then ended, and the related notes to the financial statements. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Regeneration Project as of December 31, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we: Exercise professional judgment and maintain professional skepticism throughout the audit. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed. Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Crosby + Kaneda CPAs LLP

Oakland, California
May 15, 2023

THE REGENERATION PROJECT

Statement of Financial Position
December 31, 2022
(With Comparative Totals as of December 31, 2021)

	2022	2021
Assets		
Assets		
Cash and cash equivalents	$ 842,179	$ 804,382
Contributions receivable	462,000	270,771
Account receivable	30,634	-
Prepaid expenses and deposits	54,030	31,316
Operating lease - right-of-use asset	55,566	-
Total Assets	$ 1,444,409	$ 1,106,469
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 68,631	$ 41,545
Grants payable	62,375	45,048
Accrued vacation	35,361	27,414
Operating lease liability (Note 4)	55,566	-
Total Liabilities	221,933	114,007
Net Assets		
Without donor restrictions	38,847	345,836
With donor restrictions (Note 5)	1,183,629	646,626
Total Net Assets	1,222,476	992,462
Total Liabilities and Net Assets	$ 1,444,409	$ 1,106,469

THE REGENERATION PROJECT

Statement of Activities
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
Support and Revenue				
Support				
Foundation and corporate	$ 246,866	$ 1,850,200	$ 2,097,066	$ 1,070,967
Individual	234,252	40,000	274,252	348,047
Government	33,000	31,206	64,206	-
Total Support	514,118	1,921,406	2,435,524	1,419,014
Revenue				
Program materials	16,398		16,398	25,417
Interest and other	1,098		1,098	2,395
Total Revenue	17,496	-	17,496	27,812
Paycheck Protection Program	-		-	116,700
Support provided by expiring time and purpose restrictions	1,384,403	(1,384,403)	-	-
Total Support and Revenue	1,916,017	537,003	2,453,020	1,563,526
Expenses				
Program				
CA IPL	257,673		257,673	212,130
National	1,080,704		1,080,704	691,437
Regrants	443,562		443,562	181,500
Total Program	1,781,939		1,781,939	1,085,067
Management and general	172,114		172,114	118,482
Fundraising	268,953		268,953	160,139
Total Expenses	2,223,006	-	2,223,006	1,363,688
Change in net assets	(306,989)	537,003	230,014	199,838
Net Assets, beginning of year	345,836	646,626	992,462	792,624
Net Assets, end of year	$ 38,847	$ 1,183,629	$ 1,222,476	$ 992,462

See Notes to the Financial Statements

THE REGENERATION PROJECT

Statement of Cash Flows
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 230,014	$ 199,838
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	-	1,773
Change in assets and liabilities:		
Contributions receivable	(191,229)	(118,250)
Account receivable	(30,634)	3,583
Prepaid expenses and deposits	(22,714)	3,786
Accounts payable and accrued expenses	27,086	(12,636)
Accrued vacation	7,947	(6,727)
Grants payable	17,327	15,875
Net cash provided (used) by operating activities	37,797	87,242
Net change in cash and cash equivalents	37,797	87,242
Cash and cash equivalents, beginning of year	804,382	717,140
Cash and cash equivalents, end of year	$ 842,179	$ 804,382

THE REGENERATION PROJECT

Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	Program	Managerment and General	Fundraising	Total 2022	Total 2021
Salaries	$ 580,730	$ 25,320	$ 135,795	$ 741,845	$ 643,525
Retirement contribution	15,194	200	2,850	18,244	17,376
Other employee benefits	70,022	2,514	5,910	78,446	60,547
Payroll taxes	44,670	1,696	10,178	56,544	50,127
Total Personnel	710,616	29,730	154,733	895,079	771,575
Grants	506,216	-	-	506,216	186,775
Contract services	174,527	107,809	77,567	359,903	194,203
Insurance	3,025	223	-	3,248	2,896
Occupancy	74,332	11,819	12,361	98,512	92,537
Supplies and office expense	29,356	4,085	13,422	46,863	26,367
Printing and publications	5,041	207	5,022	10,270	13,110
Travel	26,114	5,968	3,881	35,963	15,833
Depreciation	-	-	-	-	1,773
Advertising and promotion	102,338	4,337	-	106,675	267
Information technology	9,690	1,903	1,840	13,433	35,397
Dues, licenses, service fees	42,921	1,890	-	44,811	9,777
Conferences and events	97,763	4,143	127	102,033	13,178
Total Expenses	$ 1,781,939	$ 172,114	$ 268,953	$ 2,223,006	$ 1,363,688

Notes to the Financial Statements
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

NOTE 1: NATURE OF ACTIVITIES

The Regeneration Project (the Organization) is a California nonprofit public benefit corporation which is an interfaith ministry devoted to deepening the connection between ecology and faith. The Organization's goal is to help people of faith recognize and fulfill their responsibility for the stewardship of creation. The Organization provides educational programs for clergy and congregations that achieve tangible environmental results.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – are resources available to support operations. The only limits on the use of the net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – are resources that are restricted by a donor for use for a particular purpose or in a particular period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature. There were no restrictions of this nature as of December 31, 2022.

The Organization's unspent contributions are included in this class if the donor limited their use, as are any donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those net assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless the contributed assets are specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Accounting for Revenue

The Organization recognizes revenue as performance obligations are satisfied.

Revenue is recognized over time for cost reimbursement contracts as eligible expenses are incurred if other conditions of the contract are satisfied. Revenue from agreements that include milestones and milestone payments are recognized over time as milestones are reached. Revenue from agreements based on hourly rates is recognized over time as time is expended if the Organization expects it will have an enforceable right to payment for such amounts. Revenue is recognized based on estimated progress towards complete satisfaction of the performance obligation if the Organization can reasonably measure such progress. If the Organization's efforts are expended evenly throughout the performance period, the Organization may recognize revenue on a straight-line basis over such a period.

Revenue is recognized at a point in time when goods or services are provided to customers and the Organization is not required to provide additional goods or services or if the above criteria are not met.

As a practical expedient the Organization disregards the effects of potential financing components if the period between payment and performance is one year or less.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless related to a donor specified restriction for a particular purpose or future period.

Accounts Receivable

Accounts receivable are primarily unsecured non-interest bearing amounts due from grantors on a cost reimbursement or performance grants. The Organization considers all accounts receivable to be fully collectible at December 31, 2022. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Contributions Receivable

Contributions receivable including pledges and grants receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. The Organization considers all contributions receivable to be fully collectible at December 31, 2022.

Program Fees

Program fees consist of fees received from State IPL chapters for use of certain program resources including technology resources. The Organization recognizes revenue based on the related period of performance for services provided.

Program Materials

Revenue from program materials consists primarily of amounts received from the Organization's Shopify web store which sells a variety of items including seed kits, faith climate action week kits, books, DVDs and other items. The Organization recognizes revenue from the sales of such items at the point in time that the items are sold. Expenses for these materials are reported with other program expenses in the Organization's statement of functional expense.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under IRC 501(c)(3) and California RTC 23701(d). The Organization has evaluated its current tax positions as of December 31, 2022 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization’s tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively, after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no contributed services that met the criteria for recognition for the year ended December 31, 2022.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair value of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the assets or liability.

The Organization had no assets or liabilities recorded at fair value on December 31, 2022.

Property and Equipment

All acquisitions of property and equipment in excess of $2,500 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment. The Organization had no property and equipment that met this capitalization policy at December 31, 2022.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions using a reasonable allocation method that is consistently applied as follows:

Salaries and wages, benefits, and payroll taxes are allocated based on functional areas of responsibility for program staff, hourly tracking by functional area for support staff, and semi-annual time studies prepared by key personnel. Occupancy, depreciation, and amortization, and interest are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.

Telephone and internet services, insurance, and supplies and miscellaneous expenses that cannot be directly identified are allocated on the basis salary expenditures for each program and supporting activity.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgments contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This update supersedes much of the existing authoritative guidance for leases. The update requires lessees, among other things, to recognize right-of-use assets and liabilities on their balance sheet for all leases with lease terms longer than twelve months. Further related updates included *ASU No. 2018-01*, *ASU No. 2021-05* and additional modifications and clarifications. The adoption of this standard increased the Organization's right of use asset balances as well as related operating lease liability balance. The Organization opted to adopt the following expedients and elections with respect to these updates: To adopt this ASU on a modified retrospective basis; To not reassess prior conclusions with respect to (i) whether an arrangement is or contains a lease, (ii) lease classification and (iii) initial direct costs for leases that commence prior to the adoption date of the new standard; To use hindsight with respect to determining the lease term; To exclude leases that (a) have a lease term of 12 months or less and (b) do not contain a reasonably certain purchase option; To combine non-lease components with related lease components. The adoption of this update increased assets and liabilities by $55,566, and had no material impact on the Organizations net assets.

In September 2020, the FASB issued *ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This update was designed to increase the transparency of contribution nonfinancial assets through enhancements to presentation and disclosure. The Organization's adoption of this update did not have a material impact on the Organizations financial statements.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of May 15, 2023, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

NOTE 3: CONTINGENCIES AND UNCERTAINTIES

Grant Awards

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

Sabbatical

The Organization may offer at its discretion a 10-week sabbatical after 7 years of service to eligible staff. Given the small size of the Organization and the discretion management retains in approving a sabbatical no reasonable estimate of future sabbatical expenses is available.

Coronavirus

In March 2020, the WHO classified the COVID-19 outbreak as a pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the effect that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact on its financial condition, liquidity, operations and workforce.

NOTE 4: OPERATING LEASE LIABILITY

The Organization leases office space in Oakland which expires in July 2023 and storage space on a month-to-month basis. The related operating lease liability for the seven months remaining on the lease consisted of $55,566 as of December 31, 2022. Management evaluated the discount to present value related to these payments and determined it was not material for presentation. Rent for the years ended December 31, 2022 and 2021 was $98,511 and $92,537, respectively.

NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available as follows as of December 31:

	2022	2021
Specific purposes	$ 634,421	$ 48,933
CA Interfaith Power & Light	23,547	163,895
Future operations	525,661	433,798
Total	$ 1,183,629	$ 646,626

NOTE 6: RETIREMENT PLAN

The Organization has a SIMPLE IRA retirement plan as established under Internal Revenue Code Section 408(p) (the Plan). Employees are immediately vested in the Plan if they choose to participate. For each Plan year, the Organization matches contributions up to 3% of eligible salary to the Plan. Total contributions made by the Organization for 2022 and 2021 were $18,244 and $17,376, respectively.

NOTE 7: CONCENTRATIONS

Contributions Receivable

As of December 31, 2022, 87% of contributions receivable consisted of a receivable from one funder.

Support and Revenue

Approximately 53% of total support and revenue received as of December 31, 2022 was from two foundations.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

NOTE 8: CONDITIONAL PROMISES TO GIVE

In addition to the activity reflected on the financials, the Organization received multi-year conditional grants that were not recognized in the financial statements pending satisfaction of the related grant conditions. As of December 31, 2022, conditional grants consisted of the following:

Grant	Award	Recognized	Remaining
Grant I	$450,000	$300,000	$150,000

NOTE 9: AFFILIATES

The Organization collaborates with affiliates in states outside of California to assist the Organization in carrying out its programs. Affiliates are independent 501(c)3 organizations with independent boards of directors. Two board members of the Organization serve in management positions with affiliates which may receive challenge grants or other support. The two board members do not serve on the grant committee.

NOTE 10: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of December 31, 2022 are:

Cash and cash equivalents	$ 842,179
Contributions receivable	462,000
Account receivable	30,634
Less purpose restricted net assets	(657,968)
Total	$ 676,845

The Organization's working capital and cash flows vary during the year based on the timing of grant awards. Available liquid assets include both funds without donor restrictions and those with donor time restrictions available for use within one year. As part of the Organization's liquidity management plan, the Organization invests cash in excess of immediate requirements in savings or money market accounts.